

Message Text

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12

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 CIAE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-03 XMB-07 OPIC-12

CIEP-03 LAB-06 SIL-01 OMB-01 NEA-14 IO-14 CEA-02

STR-08 DRC-01 /190 W

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R 280856Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6413

INFO AMEMBASSY RANGOON

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 10329

USADB

FOR NAC AGENCIES

E.O. 11652: DECLASS 2-28-74

TAGS: EAID, EFIN, BM

SUBJECT: PROPOSED ADB LOAN - FISHERIES DEVELOPMENT PROJECT
(BURMA)

SUMMARY: ADB MANAGEMENT PROPOSES \$9MI MILLION LOAN FROM SPECIAL FUNDS RESOURCES TO GOVT OF UNION OF BURMA (GUB) TO FINANCE FOREX COST OF FISHERIES DEVELOPMENT PROJECT WHICH INCLUDES PROCUREMENT OF TRAWLERS, REPLACEMENT MARINE DIESEL ENGINES, EQUIPMENT AND MATERIALS FOR REFRIGERATION COMPLEX, AND PROVISIONS FOR ONSHORE FACILITIES AND CONSULTING SERVICES. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R84-74 WITH ATTACHMENTS DESCZIBING PROPOSED LOAN POUCHED ADDRESSEES AUG. 22. BOARD CONSIDERATION
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SCHEDULED SEPT. 12.

2. ADB MANAGEMENT PROPOSING LOAN OF \$9.8 MILLION TO BURMA WITH PROCEEDS TO FINANCE FOREX COSTS OF IMPORTING THREE REFRIGERATED TRAWLERS, TEN GILLNETTERS-CUM-TRAWLERS WITH CHILLING FACILITIES, TEN REPLACEMENT MARINE DIESEL ENGINES, EQUIPMENT AND MATERIALS FOR REFRIGERATION COMPLEX, AND PROVISIONS FOR ONSHORE FACILITIES AND AUXILIARY EQUIPMENT AND CONSULTING SERVICES. PROPOSED TERMS ARE 40 YEAR AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, ONE PERCENT SERVICE CHARGE. GOVT OF UNION OF BURMA TO BE BORROWER AND PEOPLE'S PEARL AND FISHERY CORP (PPFC) TO BE EXECUTING AGENCY. PROCEEDS OF BANK LOAN TO BE RELENT TO PPFF UNDER SUBSIDIARY LOAN AGREEMENT SATISFACTORY TO BANK. RELENDING TERM WILL BE FOR 18 YEARS INCLUDING 4 YEAR GRACE PERIOD AT 6 PERCENT INTEREST PER ANNUM.

3. BURMA IS RICH IN BOTH MARINE AND FRESH WATER FISHERIES RESOURCES. WITH COASTLINE OF 2800 KM AND CONTINENTAL SHELF COVERING AN AREA OF 280,000 SQ. KM., MARINE FISHING GROUNDS ALONG COAST ARE REGARDED AMONG BEST IN SOUTHEAST ASIA BECAUSE OF ABUNDANT PLANKTON AND NUTRIENTS. BURMESE TOTAL FISH LANDINGS ESTIMATED AT 463,000 TONS FOR 1972/73, OF WHICH MARINE FISHERIES ACCOUNTED FOR ABOUT 73 PERCENT. BETWEEN 1969 AND 1972, TOTAL FISH LANDINGS INCREASED BY ONLY 2.4 PERCENT ANNUALLY AND PER CAPITA CONSUMPTION OF FISH HAS BEEN VIRTUALLY CONSTANT IN RECENT YEARS AT ABOUT 15.6 KG PER ANNUM. AVAILABLE DATA INDICATE CURRENT SUPPLY INADEQUATE TO MEET DEMAND. PROPOSED PROJECT THEREFORE DESIGNED TO EXPLOIT ABUNDANT MARINE FISHERIES RESOURCES, ESPECIALLY IN DEEP WATERS OF CONTINENTAL SHELF NOT ACCESSIBLE TO SMALL CRAFTS, AND LARGELY ORIENTED TO MEET DOMESTIC REQUIREMENTS. GOVT HAS ACCORDED HIGH PRIORITY IN CURRENT ZGUR-YEAR PLAN (1974-1978) TO INCREASE FISH PRODUCTION BY EMPHASIZING REHABILITATION/EXPANSION OF FISHING FLEET AND RELATED INFRASTRUCTURE FACILITIES.

4. PROCEEDS WILL FINANCE: (A) THREE 250 GROSS TON (GT) CLASS STEEL MADE REFRIGERATED (MINUS 20 DEGREE C) STERN TRAWLERS, (B) TEN 120 GROSS TON (GT) CLASS STEEL MADE GILLNETTERS-CUM-TRAWLERS WITH CHILLING FACILITIES (0 DEGREE C), LIMITED OFFICIAL USE

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KC) TEN MARINE DIESEL ENGINES OF 100 H.P. FOR REPLACEMENT OF OBSOLETE ENGINES (D) NECESSARY EQUIPMENT AND MACHINERY FOR 600-TON COLD STORAGE (MINUS 25 DEGREE C), 200-TON (0 DEGREE C) CHILLING ROOM, 50-TON/DAY ICE MAKING PLANT WITH 200-TON (MINUS 5 DEGREE C) ICE STORAGE, 10-TON BLAST FREEZER AND 5-TON CONTACT FREEZER, (E) FIVE REFRIGERATED CONTAINERS, (F) THREE LANDING PONTOONS (37M X 6M X 2M EACH), A REPAIR WORKSHOP AND TWO OIL DISTRIBUTION TANKS,

(G) AUXILIARY EQUIPMENT - ONE FORKLIFT AND ONE HEAVY PAYLOAD TRUCK. PROJECT CATCH WILL BE DEMERSAL AND PELAGIC SPECIES BY TRAWLERS AND GILLNETTERS-CUM-TRAWLERS. THREE OFFSHORE TRAWLERS WILL OPERATE MAINLY IN BURMESE TERRITORIAL WATERS WHILE TEN GILLNETTERS/TRAWLERS WILL ENGAGE IN GILLNETTING DURING OFF-MONSOON SEASON AT MOUTH OF RANGOON RIVER AND NEARBY FISHING GROUNDS ADJACENT TO MERGUI AREA. MAJOR PORTION OF CATCH UNDER PROJECT WILL BE PRESERVED IN REFRIGERATION COMPLEX TO BE BUILT IN RANGOON. EXPECTED ANNUAL OUTPUT OF PROJECT IS ESTIMATED AT 8300 M.T., OF WHICH 7900 M.T. TO BE AVAILABLE FOR DOMESTIC CONSUMPTION. MODEST QUANTITY OF ABOUT 380 M.T. PROPOSED FOR EXPORT TO HONG KONG AND/OR SINGAPORE. CONSIDERING OVERALL AVAILABILITY OF FISH RESOURCES, EXISTING FISHING OPERATIONS, AND COMPOSITION OF CATCH ALONG BURMESE COAST, PROPOSED PROJECT IS CONSIDERED TO BE A MODERATE EXPANSION OF COUNTRY'S FISHING FLEET. IMPLEMENTATION PERIOD ESTIMATED TO BE ABOUT 3 YEARS.

5. TOTAL PROJECT COST ESTIMATED AT \$12.8 MILLION OF WHICH FOREX COMPONENT OF \$9.8 MILLION IS PROPOSED FOR BANK FINANCING. LOCAL CURRENCY REQUIREMENTS OF KYAT 14.5 MILLION (EQUIVALENT \$3.0 MILLION) ARE MAINLY FOR CONSTRUCTION OF BUILDINGS AND ASSOCIATED STRUCTURES FOR REFRIGERATION COMPLEX AND SHORE FACILITIES AND FOR LOCAL COSTS OF CONSULTING SERVICES. ANNUAL OPERATIONAL COST IS ESTIMATED AT KYAT 15.6 MILLION. GOVT HAS ASSURED AVAILABILITY OF LOCAL CURRENCY REQUIREMENTS AND MAINTENANCE COSTS ON TIME AND IN AMOUNTS NECESSARY FOR PROPER IMPLEMENTATION OF PROJECT. ALL PROCUREMENT FOR PROJECT WILL BE BY EXECUTING AGENCY UNDER DELEGATED AUTHORITY FROM MYANMA EXPORT-IMPORT CORP (MEIC) IN ACCORDANCE WITH BANK'S GUIDELINES FOR PROCUREMENT. SUPPLY CONTRACTS FOR EQUIPMENT AND LIMITED OFFICIAL USE

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MATERIALS COSTING \$50,000 OR MORE WILL BE AWARDED ON INTERNATIONAL COMPETITIVE BIDDING BASIS WHILE CONTRACTS LESS THAN \$50,000 WILL BE AWARDED ON BASIS OF INTERNATIONAL SHOPPING (BID OR QUOTATIONS FROM REASONABLE NUMBER OF SUPPLIERS WHICH SHALL BE FROM MORE THAN ONE ELIGIBLE COUNTRY.) PPFC WILL PREPARE SITE PLANS AND PRELIMINARY

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 CIAE-00 PM-07 H-03 INR-11 L-03

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CIEP-03 LAB-06 SIL-01 OMB-01 NEA-14 IO-14 CEA-02

STR-08 DRC-01 /190 W

----- 081547

R 280856Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6414

INFO AMEMBASSY RANGOON

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 10329

USADB

FOR NAC AGENCIES

E.O. 11652: DECLASS 2-28-74

TAGS: EAID, EFIN, BM

SUBJECT: PROPOSED ADB LOAN - FISHERIES DEVELOPMENT PROJECT
DESIGNS FOR REFRIGERATION AND ICE MAKING COMPLEX. DETAILED
DESIGNS AND SPECIFICATIONS OF PROJECT WILL BE PART OF
SUPPLIER'S CONTRACT. CONSULTING SERVICES REQUIRED INCLUDE
ONE FISHERIES SPECIALIST FOR 12 MAN-MONTHS AND ONE
MASTER FISHERMAN FOR 12 MAN-MONTHS.

6. ALLOCATION OF LOAN PROCEEDS BY COMPONENTS AS FOLLOWS:

250 GT CLASS OFFSHORE TRAWLERS (\$2,547,000), 120 GT CLASS
GILLNETTER/TRAWLERS (\$4,110,000), 10 UNITS OF ENGINES
(\$115,000), REFRIGERATION AND ICE MAKING COMPLEX (\$832,000),
AUXILIARY EQUIPMENT AND FACILITIES (545,000), CONSULTING
SERVICES (120,000) AND CONTINGENCY (\$1,531,000).

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7. FISHERIES SECTOR OF BURMA IS GOVERNED BY THREE BODIES:

(A) DEPT OF FISHERIES UNDER MINISTRY OF AGRICULTURE AND
FORESTS, (B) PPFC UNDER SAME MINISTRY, AND (C) FISHERIES

COOPERATIVES UNDER MINISTRY OF COOPERATIVES. IN BURMA, THERE ARE NO PRIVATE COMPANIES, CORPORATIONS OR ORGANIZATIONS OPERATING IN FISHERIES SECTOR. PROPOSED PROJECT EXECUTING AGENCY, PPFC WAS CREATED IN MAY 1972 TO SUCCEED PREDECESSOR ORGANIZATION OPERATING SINCE 1963 AND IS SOLE STATE FISHERIES CORPORATION AUTHORIZED TO CARRY OUT ALL TYPES OF FISHING OPERATIONS ON COMMERCIAL BASIS. FINANCIAL MANAGEMENT AND OPERATIONS ARE SUBJECT TO GOVT REGULATIONS GOVERNING COMMERCIAL CORPORATIONS. PPFC'S OPERATING AND CAPITAL EXPENDITURES ARE MET BY GOVT THROUGH ANNUAL BUDGET APPROPRIATIONS AND REVENUES EARNED BY PPFC ARE TREATED ENTIRELY AS GOVT REVENUES. EXISTING ACCOUNTING SYSTEM BASED DOUBLE-ENTRY METHOD APPEARS GENERALLY SATISFACTORY BUT COST ACCOUNTING SYSTEM TO PROVIDE MANAGEMENT INFORMATION IS NOT ADEQUATE AND GOVT AGREES TO STRENGTHEN. (SIDE LTR 4, PARA 13 & 14.) ACCOUNTS ARE AUDITED BY INTERNAL AND BY GOVT AUDITORS.

8. OVERALL FINANCIAL PERFORMANCE OF PPFC HAS NOT BEEN SATISFACTORY DURING LAST FIVE YEARS WHEN LARGE LOSSES WERE RECORDED IN EVERY OPERATING SECTOR. HOWEVER, EFFECT OF CONTINUING LOSSES ON BALANCE SHEET HAS NOT BEEN PROPERLY REFLECTED DUE TO FACT PPFC OPERATES WITH LARGE DONATED GOVT CAPITAL AND LOSSES ARE COVERED BY GOVT BUDGET APPROPRIATIONS. GOVT HAS AGREED TO A THOROUGH SCRUTINY OF BALANCE SHEET AND REVALUATION OF ASSETS BEFORE 31 MARCH 1975, TO REFLECT REALISTIC PICTURE OF PPFC'S FINANCIAL CONDITION (SIDE LTR 4, PARA 5 & 6). BANK APPRAISAL POINTS OUT PPFC'S PROBLEMS HAVE BEEN PARTLY TECHNICAL AND PARTLY INSTITUTIONAL. ON TECHNICAL SIDE, PPFC'S 94 COAST FISHERIES VESSELS AND 5 TRAWLERS ARE ONLY 40-50 PERCENT OPERATIONAL DUE TO OLD AGE AND ENGINE OBSOLENCE. FEW OF THEM ARE ALL-WEATHER VESSELS SUITABLE FOR FISHING PURPOSES WITH FREQUENT BREAKDOWNS ENCOUNTERED. MOST SERIOUS PROBLEM IS LACK OF VARIOUS SPARE PARTS TO MAINTAIN FLEET OPERATIONS. ON INSTITUTIONAL SIDE, GENERAL ORGANIZATIONAL SET-UP IS NOT GEARED TO SOUND COMMERCIAL OPERATION. MARKET RESEARCH HAS BEEN NON-EXISTENT AND PRICE OF FISH HAS BEEN DETERMINED BY LIMITED OFFICIAL USE

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GOVT COMMITTEE WITHOUT CONSIDERING DEMAND AND SUPPLY ASPECTS. AS RESULT, PPFC'S SELLING PRICE TO WHOLESALE DISTRIBUTOR HAS BEEN CONSTANTLY BELOW MARKET. TECHNICAL PROBLEMS ARE TO BE LARGELY RESOLVED BY PROPOSED PROJECT AND GOVT HAS ASSURED THAT SET OF POLICY MEASURES TO OVERCOME INSTITUTIONAL (INCLUDING MARKET RESEARCH UNIT) AND FINANCIAL SHORTCOMINGS WILL BE IMPLEMENTED BEFORE 1 APRIL 1975.

9. BANK MANAGEMENT CONSIDERS PROJECT TECHNICALLY SOUND

AND FINANCIALLY VIABLE. BASED ON 15 YEAR PROJECT LIFEN
FINANCIAL RATE OF RETURN IS CALCULATED AT 20.8 PERCENT
AND ECONOMIC RATE OF RETURN AT 26 PERCENT. PROJECT
WILL HAVE CONSIDERABLE SOCIAL IMPACT BY PROVIDING DIRECT
EMPLOYMENT OPPORTUNITIES FOR FISHERMEN AND CREWS AND
WILL PLAY IMPORTANT ROLE IN INSTITUTION BUILDING AS
ADOPTION OF CORRECTIVE POLICY MEASURES WILL ASSIST IN
TRANSFORMING PPFC INTO A VIABLE ORGANIZATION. ADDITIONALLY,
PROJECT WILL ALSO FACILITATE INTRODUCTION OF NEW TECHNOLOGY
THROUGH OPERATION OF MODERN FISHING BOATS AND COLD STORAGE
FACILITIES. USADB SUPPORTS PROPOSAL AND RECOMMENDS
FAVORABLE NAC ACTION.

10. REQUEST RANGOON'S COMMENTS FOR NAC AGENCIES, INFO
USADB MANILA, PURSUANT TO STATE 119795 DTD JULY 3, 1972.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: FISHERIES, GOVERNMENT PROCUREMENT, DEVELOPMENT BANKS, LOANS, DEVELOPMENT PROGRAMS, FISHING BOATS
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Copy: SINGLE
Draft Date: 28 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
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30 JUN 2005

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Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
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TAGS: EAID, EFIN, EFIS, BM, ADB-1
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005